Meat and Livestock Commission Pension Scheme (the "Scheme")

Statement of Investment Principles – September 2020

1. Introduction

MLC Pension Scheme Trustees Limited as Trustee of the Meat and Livestock Commission Pension Scheme (the "Scheme") has drawn up this Statement of Investment Principles (the "Statement") to comply with the requirements of the Pensions Act 1995 (the "Act") and associated legislation including the Occupational Pension Schemes (Investment) Regulations 2005 (as amended). The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments. The Trustee's investment responsibilities are governed by the Scheme's Trust Deed and Rules, of which this Statement takes full regard.

The Scheme is comprised of two sections: one providing defined benefits (the Defined Benefit Section), and one providing defined contribution benefits (the Defined Contribution Section). There is no cross-subsidy between the different sections.

2. Consultations Made

The Trustee has consulted with the Employer prior to writing this Statement and will take the Employer's comments into account when it believes it is appropriate to do so.

The Trustee is responsible for the investment strategy of the Scheme. It has obtained written advice on the investment strategy appropriate for the Scheme and on the preparation of this Statement. This advice is provided by Mercer Limited ("Mercer") (DB Section) and Willis Tower Watson (DC Section), who are both authorised and regulated by the Financial Conduct Authority.

The day-to-day management of the Scheme's assets has been delegated to investment managers who are appropriately authorised and regulated as required under the Financial Services and Markets Act 2000 (amended by the Financial Services Act 2012).

3. Custody

Investment in pooled funds gives the Trustee a right to the cash value of the units rather than to the underlying assets. The managers of the pooled funds are responsible for the appointment and monitoring of the custodian of the Scheme's assets.

The custodians are independent from the Employer.

4. Realisation of Investments/Liquidity

The Trustee recognises that there is a risk in holding assets that cannot be easily realised should the need arise.

Within the Defined Benefit Section, Mercer and the underlying investment managers selected by Mercer have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation.

The Trustee's policy is that there should be sufficient investments in liquid or readily realisable assets to meet unexpected cashflow requirements in the majority of foreseeable circumstances so that the realisation of assets will not disrupt the Scheme's overall investment policy, where possible. The Trustee, together with the Scheme's administrators, will also ensure that it holds sufficient cash to meet the likely benefit outgo from time to time.

In order to try to meet the Scheme's objectives and mitigate the inflation, interest rate and mortality risks to which the Scheme is exposed, assets have been transferred to insurance policies (or "buy-ins") which will provide annuities to match certain cashflows.

The Trustee has appointed two specialist annuity policy managers – Aviva Annuity UK Limited and Just Retirement Group plc.

Legal and General ("L&G") has been appointed as the investment manager for the Defined Contribution Section of the Scheme. The members' DC Section savings are held in daily dealt funds which can be realised in order to provide pension benefits on retirement, on transfer to another pension arrangement or via an investment fund switch.

5. Social, Environmental or Governance Considerations

The Trustee believes that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

6. Members' views and non-financial factors

In setting and implementing the Scheme's investment strategy the Trustee does not explicitly take into account the views of the Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").

7. Additional Voluntary Contributions ("AVC") Arrangements

In addition to the main Scheme benefits, some members obtain further benefits by paying AVCs to the Defined Contribution Section of the Scheme. The liabilities in respect of the AVC arrangements are equal to the value of the investment bought by the members. Details of the current AVC provider, Legal and General, and fund options are included in the Appendices to this statement.

From time to time, the Trustee reviews the choice of investments available to members to ensure that they remain appropriate to the members' needs.

DB section members can contribute to "added years2 AVCs.

8. Defined Benefit Section

8.1 Process For Choosing Investments

The Trustee has appointed Mercer to act as discretionary investment manager, by way of Mercer's Dynamic De-risking Solution, to implement the Trustee's strategy whereby the level of investment risk reduces as the Scheme's funding level improves. In this capacity, and subject to agreed restrictions, the Scheme's assets are invested in multi-client collective investment schemes ("Mercer Funds") managed by a management company (Mercer Global Investments Management Limited ("MGIM")). MGIM has appointed Mercer Global Investments Europe Limited ("MGIE")) as investment manager of the Mercer Funds. In practice, MGIE delegates the discretionary investment management for the Mercer Funds to third party

investment managers based in countries such as Ireland, UK and USA and those sub-investment managers will manage either a sub-fund or certain segments of a sub-fund. Mercer has expertise in identifying, selecting and combining highly rated fund managers who are best placed and resourced to manage the Scheme's assets on a day to day basis.

In considering appropriate investments for the Scheme, the Trustee has obtained and considered the written advice of Mercer, whom the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

8.2 Investment Objectives

The Trustee understands that taking some investment risk, with the support of the Sponsor, is necessary to improve the Scheme's current and ongoing solvency funding positions. The Trustee recognises that equity (and other growth asset) investment will bring increased volatility to the Scheme's funding level, but in the expectation of improvements in the Scheme's funding level through outperformance of the liabilities over the long term.

The Trustee's primary objective is to act in the best interest of its members and ensure that the obligations to the beneficiaries of the Scheme can be met. In meeting this objective, the Trustee's further objectives are:

- To move the Scheme to a position of being fully funded on a de-risked funding basis (gilts + 0.5% p.a.) through a combination of investment return and contributions from the Sponsor.

- In doing so, to opportunistically reduce the degree of risk in the Scheme's investment arrangements, thereby helping to protect the Scheme's improving funding position.

- To pay due regard to the Employer's requirements with regards to the size and incidence of contribution payments.

8.3 Risk Management and Measurement

There are various risks to which any pension scheme is exposed. The Trustee's policy on risk management over the Scheme's anticipated lifetime is as follows:

The primary risk upon which the Trustee focuses is that arising through a mismatch between the Scheme's assets and its liabilities and the Sponsor's ability to support this mismatch risk.

The Trustee recognises that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Scheme's liabilities, as well as producing more volatility in the Scheme's funding position.

To control the risk outlined above, the Trustee, having taken advice, set the split between the Scheme's Growth and Matching Portfolios such that the expected return on the overall portfolio is expected to be sufficient to meet the investment objectives outlined. As the funding level improves, investments will be switched from Growth Portfolio assets into the Matching Portfolio with the aim of reducing investment risk.

Whilst moving towards the target funding level, the Trustee recognises that even if the Scheme's assets are invested in the Matching Portfolio, there may still be a mismatch between the interest rate and inflation sensitivity of the Scheme's assets and the Scheme's liabilities due to the mismatch in duration between assets in the Matching portfolio and actuarial liabilities.

The Trustee recognises the risks that may arise from the lack of diversification of investments. To control this risk, the Trustee has delegated the asset allocation decisions within the Growth and Matching Portfolios to Mercer (subject to certain restrictions). Mercer aims to ensure the asset allocation policy in place results in an adequately diversified portfolio. Mercer provides the Trustee with regular monitoring reports regarding the level of diversification within the Trustee's Portfolio.

- To help the Trustee ensure the continuing suitability of the current investments, Mercer provides the Trustee with regular reports regarding the performance of the underlying asset managers appointed within the relevant Mercer Funds to enable the monitoring of differences between the expected and experienced levels of risk and return.

- There is a risk that the day-to-day management of the assets will not achieve the rate of investment return expected by the Trustee. The Trustee recognises that the use of active investment managers involves such a risk. However, for specific asset classes, it believes that this risk is outweighed by the potential gains from successful active management. Likewise, passive management will be used for one of a number of reasons, namely to diversify and reduce risk and when investing in certain asset classes where, due to relatively efficient markets, where the scope for achieving added value is more limited.

- To help diversify manager-specific risk, within the context of each of the Growth and Matching Portfolios, the Trustee expects that the Scheme's assets are managed by appropriate underlying asset managers.

- By investing in the Mercer Funds, the Trustee does not make investments in securities that are not traded on regulated markets. However, should the Scheme's assets be invested in such securities, in recognition of the associated risks (in particular liquidity and counterparty exposure), such investments would normally only be made with the purpose of reducing the Scheme's mismatch risk relative to its liabilities or to facilitate efficient portfolio management. In any event the Trustee would ensure that the assets of the Scheme are predominantly invested on regulated markets.

- The Trustee recognises the risks inherent in holding illiquid assets. The Trustee has carefully considered the Scheme's liquidity requirements and time horizon when setting the investment strategy and liquidity risk is managed by ensuring illiquid asset classes represent an appropriate proportion of the overall investment strategy.

  The Scheme is subject to currency risk because some of the investment vehicles in which the Scheme invests are denominated or priced in a foreign currency. Within the context of the Mercer Funds used in the Growth and Matching Portfolios, to limit currency risk, a target non-sterling currency is set exposure and the level of non-sterling exposure is managed using currency-hedging derivatives such as forwards and swaps.

  The Trustee recognises that environmental, social and corporate governance concerns, including climate change, have a financially material impact on return.

  Should there be a material change in the Scheme's circumstances, the Trustee will advise Mercer, who will review whether and to what extent the investment arrangements should be altered; in particular whether the current de-risking strategy remains appropriate.

8.4 Investment Strategy

The Trustee, with advice from the Scheme's investment consultant and Scheme Actuary, reviewed the Scheme's investment strategy in 2020. The review looked to build on the de-risking steps already taken by the Trustee, notably to appoint specialist annuity providers to insure the benefits of a portion of the

Scheme's members. The investment strategy review considered the Trustee's investment objectives, its ability and willingness to take risk (the "risk budget") and how this risk budget should be allocated and implemented (including de-risking strategies).

Following the review, the key decision was to seek a long-term solution to "de-risk" the Scheme's non-insured assets relative to its liabilities over time using a dynamic trigger-based de-risking framework. The Trustee decided to engage Mercer to implement its de-risking strategy by way of its Dynamic De-risking Solution. The approach undertaken relates the asset allocation to the Scheme's funding level (on an actuarial basis using a single discount rate of 0.5% p.a. in excess of the appropriate gilt yields i.e. "gilts + 0.5% basis"). The de-risking rule mandates the following practices:

- To hold sufficient Growth assets to target full funding on a gilts + 0.5% basis;

- To reduce the volatility in the funding level over time by reducing the Scheme's unhedged liability exposure;

- To monitor the progress in the funding level and to capture improvements in the funding level promptly, if they arise.

The de-risking strategy takes account of the Scheme's initial funding level on a gilts + 0.5% p.a. basis and is based on a model of the progression of the Scheme's funding level, taking into account the expected contributions from the Sponsor as agreed at the latest triennial actuarial valuation.

Once the funding level has moved through a band, the asset allocation will not be automatically "re-risked" should the funding level deteriorate. The investment strategy will be reviewed on an annual basis to ensure that the triggers set remain appropriate and amended if required.

Responsibility for monitoring the Scheme's asset allocation and undertaking any rebalancing activity is delegated to Mercer.

The Trustee reviews the performance of Mercer against this overall funding level objective as part of their regular monthly and quarterly reporting, the annual strategy recalibration and in detail in conjunction with the triennial actuarial valuation.

8.5 Realisation of Investments

The Trustee on behalf of the Scheme holds shares in the Mercer Funds. In its capacity as investment manager to the Mercer Funds, MGIE, and the underlying third-party asset managers appointed by MGIE, within parameters stipulated in the relevant appointment documentation, have discretion in the timing of the realisation of investments and in considerations relating to the liquidity of those investments.

8.6 Cashflow and cashflow management

Cashflows, whether positive or negative, are taken into account by Mercer when it rebalances the Scheme's assets in line with the strategic allocation. Mercer is responsible for raising cash flows to meet the Scheme's requirements.

8.7 Rebalancing

As noted, responsibility for monitoring the Scheme's asset allocation and any rebalancing activity is undertaken by Mercer. Mercer reviews the balance between the Growth and Matching Portfolios on an ongoing basis. If at any time the balance between the Growth and Matching Portfolios is deemed to be outside an agreed tolerance range, Mercer will seek to rebalance these allocations back towards the target

allocations. Although Mercer has discretion to vary the tolerance range, it is the intention that the Growth Portfolio allocation will not drift by more than 5%, in absolute terms, away from the relevant target allocation.

The ranges have been designed to ensure that unnecessary transaction costs are not incurred by frequent rebalancing.

In the event of a funding level trigger being breached, the assets will be rebalanced to bring them in line with the reduced growth portfolio weighting, under the new de-risking band, as defined in the Statement of Investment Arrangements.

Rebalancing takes place in accordance with the provisions of the discretionary investment management agreement entered into between the Trustee and Mercer, and unless specifically agreed, any assets outside of the Growth and Matching Portfolios (such as the Scheme's buy-in policies) will not be part of such rebalancing.

8.8 Environmental, Social, and Corporate Governance, Stewardship, and Climate Change

The Trustee believes that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

As noted above, the Trustee have appointed Mercer to act as discretionary investment manager in respect of the Scheme's assets and such assets are invested in a range of Mercer Funds managed by MGIE.

The Trustee, Mercer, and MGIE support and expect asset managers appointed to manage the Mercer Funds which are registered with the Financial Conduct Authority to comply with the UK Stewardship Code and UK Corporate Governance Code, including public disclosure of compliance via an external website. An assessment of each manager's compliance against the seven underlying principles of the UK Stewardship Code is part of MGIE's review process of all underlying equity managers appointed to manage assets of the Mercer Funds in which the Scheme invests. Those managers exercise voting rights and undertake engagement (collaborative or otherwise) in accordance with their own corporate governance policies.

The Trustee reviews the following reporting on an annual basis:

- UK Stewardship Code Review, which assesses each underlying equity manager's compliance against the seven principles of the UK Stewardship Code.
- Stewardship monitoring reporting which assesses each underlying equity manager's record of executing and disclosing voting activity, and the extent to which they are engaging with the underlying companies in which they invest.
- ESG ratings of all investment managers versus the asset class universe ESG ratings. In addition, ESG ratings are disclosed in the quarterly performance report, which is reviewed by the Trustee.
- Carbon footprint analysis versus the index on the Mercer equity portfolios the Scheme invests in.
- Climate scenario modelling on the Mercer Funds used within the Growth Portfolio.

Member views

Member views are not taken into account in the selection, retention and realisation of investments.

Investment Restrictions

The Trustee has not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but may consider this in future.

8.9 Fee Structures

Mercer levies a fee (plus VAT where applicable) based on a percentage of the value of the assets under management which covers the design and annual review of the de-risking strategy, and investment management of the assets. In addition, the underlying managers also levy fees based on a percentage of the value of the assets under management. Some of the underlying managers may also levy fees based on their performance.

8.10 Trustee's policies with respect to arrangements with, and evaluation of the performance and remuneration of, asset managers and portfolio turnover costs

When engaging Mercer as discretionary investment manager to implement the Trustee's investment strategy outlined in section 8.4, the Trustee seeks to ensure that Mercer, as appropriate and to the extent applicable, is incentivised to align its strategy and decisions with the profile and duration of the liabilities of the Scheme, in particular, long-term liabilities.

As Mercer manages the Scheme's assets by way of investment in Mercer Funds, which are multi-client collective investment schemes, the Trustee accepts that they do not have the ability to determine the risk profile and return targets of specific Mercer Funds but the Trustee expects Mercer to manage the assets in a manner that is consistent with the Trustee's overall investment strategy as outlined in section 8.4. The Trustee has taken steps to satisfy themselves that Mercer has the appropriate knowledge and experience to do so and keeps Mercer's performance under ongoing review.

Should Mercer fail to align its investment strategies and decisions with the Trustee's policies, it is open to the Trustee to disinvest some or all of the assets invested managed by Mercer, to seek to renegotiate commercial terms or to terminate Mercer's appointment.

To evaluate performance, the Trustee receives, and considers, investment performance reports produced on a quarterly basis, which present performance information and commentary in respect of the Scheme's funding level and the Mercer Funds in which the Trustee is invested. Such reports have information covering fund performance for the previous three months, one year, three years and since inception, where relevant for each fund. The Trustee reviews the absolute performance and relative performance against a portfolio's and underlying investment manager's benchmark (over the relevant time period) on a net of fees basis. The Trustee's focus is on the medium to long-term financial and non-financial performance of Mercer and the Mercer Funds.

Neither Mercer nor MGIE make investment decisions based on their assessment of the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the underlying third-party asset managers appointed by MGIE to manage assets within the Mercer Funds. Those managers are in a position to engage directly with such issuers in order to improve their performance in the medium to long term. The Trustee is, however, able to consider Mercer's and MGIE's assessment of how each underlying third-party asset manager embeds ESG into their investment process and how the manager's responsible investment philosophy aligns with the Trustee's own responsible investment policy. This includes the asset managers' policies on voting and engagement.

Section 8.8 provides further details of the steps taken, and information available, to review the decisions made by managers, including voting history and the engagement activities of managers to identify decisions that appear out of line with a Mercer Fund's investment objectives or the objectives/policies of the Scheme.

The asset managers are incentivised as they will be aware that their continued appointment by MGIE will be based on their success in meeting MGIE's expectations. If MGIE is dissatisfied then it will, where appropriate, seek to replace the manager.

The Trustee is a long-term investor and therefore not looking to change the Scheme's investment arrangements on an unduly frequent basis. However, the Trustee does keep those arrangements under review, including the continued engagement of Mercer using, among other things, the reporting described above.

The Trustee monitors, and evaluates, the fees it pays for asset management services on an ongoing basis taking into account the progress made in achieving its investment strategy objectives as outlined in section 8.4. Mercer's, and MGIE's, fees are based on a percentage of the value of the Scheme's assets under management which covers the design and annual review of the de-risking strategy, and investment management of the assets. In addition, the underlying third-party asset managers of the Mercer Funds also charge fees based on a percentage of the value of the assets under management. In some instances, some of the underlying managers may also be entitled to charge fees based on their performance.

MGIE reviews the fees payable to third party asset managers managing assets invested in the Mercer Funds on a regular basis with any negotiated fee savings passed directly to the Scheme. Mercer's, MGIE's, and the third-party asset managers' fees are outlined in a quarterly investment strategy report prepared for the Trustee, excluding performance-related fees and other expenses involved in the Mercer Funds not directly related with the management fee.

Details of all costs and expenses are included in the Mercer Fund's Supplements, the Report and Accounts and within the Scheme's annualised, MiFID II compliant Personalised Cost and Charges statement. The Scheme's Personalised Cost and Charges statement also include details of the transaction costs associated with investment in the Mercer Funds.
The Trustee does not have an explicit targeted portfolio turnover range, given the de-risking mandate, but rebalancing ranges have been designed to avoid unnecessary transaction costs being incurred by unduly frequent rebalancing. Performance is reviewed net of portfolio turnover costs, with the review of portfolio turnover of the underlying investment managers undertaken by MGIE.

9. Defined Contribution Section

9.1 Objectives

The Trustee's primary objectives for setting the investment strategy of the Defined Contribution Section of the Scheme are:

- "asset choice" – to ensure members have an appropriate choice of assets for investment; and

- "return objective" – to enable members to benefit from investment in "Growth" assets until they approach retirement, when they will be able to switch to "Matching" assets, which are more related to how they plan to take their DC Section savings.

The Trustee does not offer a default investment strategy where members fail to make an investment decision as there are no new members entering the Scheme. However, some of the Scheme's funds will be considered default arrangements due to previous mapping exercises where the member has been invested into a fund without giving a written choice to invest in that fund. The principle when mapping was to replicate the choices originally made by the members as closely as possible in order to continue to meet their needs. The investment options deemed default arrangements and the Trustee's objectives for these are:

- The Annuity Focused Lifestyle Strategy – aim is to be suitable for members targeting annuity purchase at retirement. The Annuity Focused Lifestyle strategy is designed to offer growth when a member is a long way from retirement and then gradually de-risks to portfolio allocations that are designed to be appropriate for a member who wishes to take their savings at retirement as 25% tax free cash and use the remainder to purchase an annuity.

- Other default arrangements – these are individual funds and are set out in Appendix II. The Trustee's objectives for these is that they meet their stated performance objective as set out in Appendix II.

9.2 Investment manager policies

The Scheme accesses its investments via investment platform provided by L&G. The Trustee currently utilise one investment manager, Legal & General Investment Management (the DC Investment Manager) and operates different mandates to implement their DC Section investment policies. The Trustee ensures that, in aggregate, the portfolio is consistent with the policies set out in this Statement, in particular those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations (2005). The Trustee will also ensure that the investment objectives and guidelines of any particular pooled vehicle are consistent with their DC Section policies, where relevant to the mandate in question.

To maintain alignment the DC Investment Manager is provided with a copy of this Statement and the Trustee will monitor the extent to which it gives effect to the policies set out in it.

Should the Trustee's monitoring process reveal that the DC Investment Manager's portfolio is not aligned with the Trustee's policies, the Trustee will engage with the manager further to encourage alignment.

The Trustee appointed the DC Investment Manager with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. For most of the Scheme's investments, the Trustee expects the DC Investment Manager to invest with a medium to long time horizon, and to use its engagement activity where applicable to drive improved performance over these periods.

When assessing a manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate a manager's appointment based purely on short term performance. However, a manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.

The DC Investment Manager is paid a fee expressed as a percentage of the Scheme assets managed, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement. The Trustee reviews the costs incurred in managing the Scheme's assets regularly, which includes the costs associated with portfolio turnover, including regular engagement with the DC Investment Manager on this subject and through the receipt of cost and charges reporting. There is no broad targeted portfolio turnover (how frequently assets within a fund are bought and sold by the DC Investment Manager) which the Trustee adheres to. The Trustee, with the help of its DC Adviser, monitors annually that the level of portfolio turnover for each manager/mandate is within an acceptable range for that mandate.

9.3 Investment Strategy

The Trustee believes that members have different investment needs and that these may change during the course of members' working lives. The Trustee also recognises that members have different attitudes to risk. With this in mind the Trustee has made available a choice of investment funds, detailed in Appendix II.

The Trustee is satisfied that the objectives and strategy described in this Statement, together with the other policies which are set out in it, represent an appropriate platform for the delivery of pension provision for members. In particular, it aims to offer sufficient choice to allow members to invest in a manner consistent with their own risk preference and other circumstances. The policy of the Trustee is to review the suitability of the fund range including those considered default arrangements periodically but at a period of no less than three years.

9.4 Choosing Investments

In selecting the range of funds to offer to members, the Trustee took into account the different risk and return characteristics of various asset classes. In broad terms, the Trustee considers that equities provide a higher expected return than bonds and cash over the long term, but with greater volatility (risk). The types of investments held and the balance between them is deemed appropriate given the need to maximise returns when a member is further from retirement but allow the member to match their investments as they approach the point of retirement from the Scheme in line with how they plan on taking their Scheme savings.

Bearing in mind the "return objective" above, the Trustee offers several "Lifestyle Options". The options invest members' contributions in the funds noted in Appendix II, in varying proportions, depending on how close the member is to retirement.

Members who do not wish to utilise the Lifestyle Options can instead choose their own investment strategy if they so wish. This involves the member making their own choice of allocation for their contributions from the alternative funds available to them.

The Trustee reserves the right to change the fund options made available to members including the Lifestyle Options in terms of the percentages allocated and the timescales for allocation in the light of further experience.

9.5 The Balance between Different Kinds of Investments

The Trustee recognises that the key source of financial risk (in relation to meeting its objectives) normally arises from the choice of funds offered to members. It therefore retains responsibility for choosing the funds available and takes expert advice as required from its professional advisers.

It is the view of the Trustee that the range of asset classes is suitable for members at the current time.

Whilst the Trustee retains responsibility for choosing and monitoring the ongoing suitability of the investment options made available to members, it is the individual members' responsibility to:

- Choose which specific funds they invest in, either by choosing a Lifestyle Option or by following their own investment strategy;
- Monitor the performance of their own investments; and
- Review the ongoing appropriateness of their chosen funds in light of their own individual circumstances.

9.6 Investment Risk Measurement and Management

The Trustee recognises that investment risk is borne by the members of the Scheme. It takes account of this in the selection and monitoring of the investment managers and the choice of funds offered to members. In arriving at the investment fund choices, the Trustee has considered the following risks:

- Inflation risk – the risk that investments do not provide a return at least in line with inflation, such that the "purchasing power" of the ultimate fund available to provide benefits is not maintained.

  This is the risk that the real value of the members' holding will be eroded by inflation. In seeking to minimise inflation risk the Trustee offers equity fund options and lifestyle options that invest in a portfolio of growth-seeking assets when members are younger. In the long term, equities should produce a real return, in excess of price inflation. The Trustee and its advisers monitor the chosen funds and the ability of this type of investment to keep pace with inflation.

- Annuity conversion risk – Protection against a sudden fall in the amount of pension that can be bought, just before retirement.

  At retirement, the value of a member's account (excluding any amount taken as a tax-free cash sum) may be used to purchase an annuity. Annuities are sold by insurance companies, who back them by long-dated fixed interest or index-linked bonds, as appropriate. The costs of annuities rise and fall in line with the return of the underlying assets. The Trustee offers an annuity lifestyle option, which aims to achieve protection against changes to annuity prices. This is particularly important as members approach retirement. The Trustee and its advisers monitor the annuity lifestyle to ensure it remains appropriate to these requirements.

- Mismatch risk - the risk that members' investment allocation in the years prior to retirement and / or once benefits are being accessed does not match their retirement objectives, exposing members to inefficient or uncertain outcomes.

  The Trustee offers access to three lifestyle options targeting each of the different retirement options available to members to allow them to effectively align their investment choice with their intended retirement decision.

- Manager risk – Actions by the investment manager.

  In aiming to control manager risk the focus of the Trustee's attention is on the following aspects: the risk of the manager underperforming the objectives set, and the risks inherent in a particular manager's philosophy. In order to minimise both these aspects of manager risk, the majority of funds offered to members aim to track the returns on particular market indices rather than to outperform them by active management decisions. The Trustee acknowledges that investment returns achieved outside the expected deviation (positive or negative) maybe an indication that the investment manager is taking a higher level of risk than indicated.

- Opportunity cost - the risk that insufficient investment risk is taken when appropriate (such as at young ages) results in a smaller pot of money at retirement.

  In order to reduce this risk, the Trustee provides investment options which offers higher expected return through taking additional risk.

- Capital Risk - the risk that the monetary value of a member's account falls.

  In order to reduce this risk, the Trustee provides an investment option which targets capital protection.

- Actions by the custodian (custody risk).

  Investment in pooled funds gives the Trustee a right to the cash value of the units rather than to the underlying assets. The manager of the pooled funds is responsible for the appointment and monitoring of the custodian of any underlying assets. The encashment of the units can only occur in a manner complying with the section of the Scheme's Trust Deed dealing with investment powers.

9.7 Financially material considerations

The Trustee takes account of all financially material risks and opportunities when making investment decisions, in consultation with their advisors. All risks and opportunities are considered for materiality and impact. This takes account of the Scheme's investment time horizons and objectives as appropriate.

The Trustee believes that environmental, social and corporate governance (ESG) factors, including climate change, may have a material impact on DC investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole.

The Trustee will consider ESG factors as part of the selection of any new DC Section investment managers. The relative importance of these factors compared to other factors will depend on the asset class being considered.

The Trustee's policy is that day to day decisions relating to the investment of the Scheme's DC assets and responsibility for exercising ownership rights (including voting rights) attaching to investments are, in effect, delegated to its DC Investment Manager. The Trustee recognise the UK Stewardship Code as best practice and encourage their investment managers to comply with it or explain why they do not adhere to this policy.

Responsibility for engagement in respect of DC investments held by the Scheme is, in effect, delegated to the DC Investment Manager. The Trustee's expectation is that engagement will take place, either directly or as part of a collective multi-investor initiative as appropriate, with the aim of protecting or enhancing the value of the Scheme's investments. The Trustee will monitor how the DC Investment Manager fulfils their responsibilities with regards to voting and engagement through the regular reporting provided by the manager to the Trustee's adviser.

As part of the Trustee's ongoing review of the DC Investment Manager they will review how ESG factors are integrated within the DC Investment Manager's investment processes and in the monitoring process. The Trustee will review the ESG credentials of the DC Investment Manager on an annual basis using the investment reports provided by their DC Advisor which are expected to include reporting on ESG matters.

As part of the Trustee's monitoring of the Scheme's DC Investment Manager, the Trustee will provide the DC Investment Manager with the most recent version of this SIP on an annual basis. The Trustee will ask the DC Investment Manager to explicitly confirm whether they believe there is any misalignment between the objectives and guidelines of the fund(s) they manage on behalf of the Scheme, or the DC Investment Manager's approach to sustainable investment, and the Trustee's policies as documented in the SIP (as relevant to the investment fund in question).

9.8 Non-financial matters

The Trustee recognises that members and beneficiaries may have views on ethical investing or views on matters such as the social and environmental impact of the Scheme's DC investments. The Trustee's approach will be to consider requests for alternative fund options, where these are made proactively by members, but they will not actively seek members' views.

10. Review of this Statement

The Trustee will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

Lorraine Clinton	Kim Matthews
Trustee Director	**Trustee Director**

Date: 15 September 2020

Appendix I to Statement of Investment Principles – Defined Benefit Section

This Appendix sets out the Trustee's current investment strategy for the Defined Benefit Section, and is supplementary to the Trustee's Statement of Investment Principles (the "attached Statement").

The Trustee's investment strategy has been established in order to maximise the likelihood of achieving the primary objectives set out in the attached Statement. The details are laid out below.

1. De-risking Approach

The Scheme's assets are invested within the Dynamic De-risking Solution ("DDS"). Within DDS, the Scheme's funding level (on a "gilts + 0.50% p.a." basis) is monitored with automatic de-risking moves (to reduce the level of investment in growth assets) triggered according to the levels set out in the table below.

Funding Level Band	Trigger to move into Band (Funding Level %)	Target Growth Allocation (% of total assets)
1	-	80.0
2	78.9	77.1
3	81.2	74.0
4	83.5	70.6
5	85.9	66.9
6	88.2	62.8
7	90.5	58.1
8	92.9	52.5
9	95.2	45.5
10	97.5	35.7

The de-risking strategy is formally reviewed by the Trustee on an annual basis with the assistance of Mercer, to review its appropriateness.

For the avoidance of doubt, once the funding level has moved through a band, the asset allocation will not be "re-risked" should the funding level deteriorate. The investment strategy will be reviewed on an annual basis to ensure that the triggers set remain appropriate and amended if required. In addition, the recalibration will take into account any significant investment and Scheme experience over the year.

Individual Fund Benchmarks and Tracking Error Targets

Within the guidelines set out in the Investment Management Agreement, the Trustee has delegated the allocation of assets within the Growth and Matching portfolios to Mercer.

Responsibility for monitoring the Scheme's asset allocation and undertaking any rebalancing activity when the range restrictions are breached is delegated to Mercer. Mercer reports quarterly to the Trustee on any breaches to the range restrictions.

Mercer Portfolio	Benchmark Index	Performance Target (%p.a.)[1)]	Tracking Error Expectation (%p.a.)[1)]
Mercer Passive Global Equity (Unhedged/Hedged)	MSCI World (NDR) Index (Unhedged/Hedged) [2)]	Perform in line with the benchmark	Less than 0.25
Mercer Fundamental Indexation Global Equity (Unhedged/Hedged)	MSCI Diversified Multi Factor Custom (NDR) Index (Unhedged/Hedged)	Perform in line with the benchmark	Less than 0.3
Mercer Synthetic Equity-Linked Real Bond Fund	100% Synthetic Equity Benchmark 80% FTSE A Over 5 Year Index-Linked Gilts Index (80%) Cash Benchmark [3)]	Perform in line with the benchmark	Less than 0.25
Mercer Synthetic Equity-Linked Nominal Bond Fund	100% Synthetic Equity Benchmark 200% Gilt Benchmark (200%) Cash Benchmark [3)]	Perform in line with the benchmark	Less than 0.25
Mercer Global Listed Infrastructure (Unhedged/Hedged)	FTSE Global Core Infrastructure 50/50 (NDR) Index (Unhedged/Hedged)	1.5 (gross of fees)	2.0 - 4.0
MGI Emerging Markets Equity	MSCI Emerging Markets (NDR) Index	2.0 (gross of fees)	3.0 - 5.0
Mercer Low Volatility Equity (Unhedged/Hedged)	MSCI World (NDR) Index (Unhedged/Hedged)	Perform in line with the benchmark [4)]	n/a
Mercer Global Small Cap Equity (Unhedged/Hedged)	MSCI World Small Cap (NDR) Index (Unhedged/Hedged)	2.0 (gross of fees)	4.0 - 6.0
MGI Eurozone Equity (Unhedged/Hedged)	MSCI EMU (NDR) (Unhedged/Hedged)	2.0 (gross of fees)	2.0 - 4.0
Mercer Sustainable Global Equity (Unhedged/Hedged)	MSCI World (NDR) Index (Unhedged/Hedged)	1.5 (gross of fees)	2.0 - 4.0
MGI Emerging Markets Debt	JP Morgan GBI-EM Global Diversified Index	1.5 (gross of fees)	1.0 - 3.0
Mercer Dynamic Asset Allocation [5)]	JP Morgan EMBI Global Diversified (Hedged)	2.0 (gross of fees)	n/a

Mercer Portfolio	Benchmark Index	Performance Target (%p.a.)[1)]	Tracking Error Expectation (%p.a.)[1)]
Mercer Multi Asset Credit (Hedged)	**Reference Index:** 50% BofAML Global High Yield Constrained Index 50% S&P/LSTA Global Leveraged Loan Index	**Long term primary objective:** Cash +3-5% p.a. (net of manager fees) **Medium-term and secondary objective:** to achieve better risk-adjusted returns than the reference index	5.0 - 10.0 [6)]
Mercer Absolute Return Fixed Income (Hedged)	FTSE GBP 1 Month Euro Deposit Index	Outperform cash: 2-3% p.a. (gross of fees) over rolling 3 year periods	Less than 5.0 over rolling 3 year periods [6)]
Mercer Liquid Alternative Strategies (Hedged)	HFRI FOF Market Defensive Index (GBP Hedged) [7)]	Cash +3-5% (net of fees)	5.0 - 7.0 [8)]
Mercer UCITS Alternative Strategies (Hedged)	HFRI FOF Market Defensive Index (GBP Hedged) [7)]	Cash +3% (net of fees)	5.0 - 7.0 [8)]
Mercer Global High Yield Bond (Unhedged/Hedged)	ICE BofAML BB-B Rated Developed Markets High Yield Constrained Index (Unhedged/Hedged)	0.25 - 0.5 (gross of fees)	1.0 - 3.0
Mercer Passive Global REITS UCITS CCF	FTSE EPRA Nareit Developed REITs Net Tax Index	Perform in line with the benchmark	0.1
Mercer Tailored Credit Fund 1	n/a [9)]	n/a	n/a
MGI UK Long Gilt	FTSE A Over 15 Year Gilts Index	Perform in line with the benchmark	Less than 0.25
MGI UK Inflation Linked Bond	FTSE A Over 5 Year Index-Linked Gilts Index	Perform in line with the benchmark	Less than 0.25
Mercer Sterling Nominal LDI Bond	n/a [10)]	n/a	n/a
Mercer Sterling Inflation Linked LDI Bond	n/a [10)]	n/a	n/a
Mercer Flexible Enhanced Matching Fixed –Medium and Long	Exact benchmark will be fund dependent [11)]	Perform in line with the benchmark	n/a

Mercer Portfolio	Benchmark Index	Performance Target (%p.a.)[1]	Tracking Error Expectation (%p.a.)[1]
Mercer Flexible Enhanced Matching Real – Short, Medium and Long	Exact benchmark will be fund dependent [11]	Perform in line with the benchmark	n/a
Mercer Flexible Enhanced Matching Inflation	Exact benchmark will be fund dependent [11]	Perform in line with the benchmark	n/a
MGI UK Cash	FTSE GBP 1 Month Euro Deposit Index	n/a	0.5

1) Measured over rolling 5 year periods unless otherwise stated.

2) Hedged indices are proxied by Mercer using local index returns.

3) Synthetic equity benchmark is a composite of 65% S&P 500, 14% EuroStoxx 50, 10% Topix, 7% FTSE 100, 3% ASX 200 and 1% Hang Seng (all hedged). The cash benchmark is a composite of 65% Ice Libor USD 3m, 14% Euribor 3m, 10% Ice Libor JPY 3m, 7% Ice Libor GBP 3m, 3% ASX Australian Bank Bill Short Term Rates 3m, 1% Hibor 3m and +20% 7 day Libid for the Real fund and a composite of 65% Ice Libor USD 3m, 14% Euribor 3m, 10% Ice Libor JPY 3m, 7% Ice Libor GBP 3m, 3% ASX Australian Bank Bill Short Term Rates 3m, 1% Hibor 3m and 100% Ice Libor GBP 6m for the Nominal fund. The Nominal Fund Gilt Benchmark invests in a range of gilts and gilt strips defined by Mercer and so have no quoted benchmark.

4) Aims to match the MSCI World Index with absolute volatility 25-30% lower than the index over rolling 5-7 year periods.

5) At the time of writing this document, the portfolio invests 100% in the Frontier Market Debt Fund. The benchmark, the performance and tracking error target for this portfolio will vary over time depending on the underlying portfolio composition.

6) Expressed as expected volatility (annualised standard deviation of monthly returns) ranges given these strategies have a cash plus objective.

7) This is the short term outperformance target for the strategy, for a long term benchmark please reference the performance target.

8) This is the expected risk target for the fund, this is an absolute value not measured relative to the benchmark.

9) This fund is not comparable to a benchmark index due to the nature of buy and maintain strategies, and hence has no quoted benchmark or tracking error target. The fund aims to capture the credit spread premium in the most efficient way by investing in a diversified portfolio of bonds.

10) These funds invest in a range of gilts and gilt strips defined by Mercer and so have no quoted benchmark.

11) These portfolios aim to match the performance of a series of fixed or index-linked cash flows, discounted using the derivative or gilt yields depending on the instruments being utilised, over the lifetime of the funds, and so have no quoted benchmark

Additional Voluntary Contributions

Additional Voluntary Contributions (“AVCs”) can be paid to the Defined Contribution Section of the Scheme and be invested in any of the Legal & General funds set out in Appendix II.

The fund management charges are paid by the member.

DB Members can contribute to added years AVCs.

Appendix II to Statement of Investment Principles – Defined Contribution Section

This Appendix sets out the Trustee's current investment strategy for the Defined Contribution Section and is supplementary to the Trustee's Statement of Investment Principles (the "attached Statement").

The Trustee's investment strategy has been established in order to maximise the likelihood of achieving the primary objectives set out in the attached Statement.

1. Asset Options

Legal & General ("L&G") have been appointed as the DC Investment Manager for the Defined Contribution Section of the Scheme. The following funds are currently available to the membership.

Asset Class	Fund
UK Equity	L&G UK Equity Index Fund
Overseas Equity	L&G World ex-UK Equity Index Fund
Mixed	L&G Multi-Asset Fund
Mixed	L&G Retirement Income Multi-Asset Fund
Mixed	L&G Consensus Index Fund
Bonds	L&G Over 5 Year Index-Linked Gilt Fund
Bonds	L&G Over 15 Year Gilt Fund
Cash	L&G Cash Fund

2. Lifestyle Options

The tables below set out the details of the DC Section's Lifestyle Options. The Annuity Lifestyle Option is considered a default due to historic mapping exercises. The Trustee annually assesses whether this option and all other funds invested in by members represent value for money.

Annuity Lifestyle Option

Time to Retirement	UK Equity	World ex UK Equity	Over 5 Year Index-Linked Gilt	Over 15 Year Gilt	Cash
≥ 5 Years	50%	50%	0%	0%	0%
4 - 5 Years	40%	40%	10%	10%	0%
3 - 4 Years	30%	30%	20%	20%	0%
2 - 3 Years	20%	20%	30%	30%	0%
1 - 2 Years	10%	10%	32.5%	32.5%	15%
0 - 1 Year	0%	0%	37%	38%	25%

Cash Lifestyle Option

Time to Retirement	Multi-Asset	Cash
≥ 5 Years	100%	0%
4 - 5 Years	100%	0%
3 - 4 Years	95%	5%
2 - 3 Years	65%	35%
1 - 2 Years	30%	70%
0 - 1 Year	0%	100%

Drawdown Lifestyle Option

Time to Retirement	Multi-Asset	Retirement Income Multi-Asset
≥ 5 Years	100%	0%
4 - 5 Years	100%	0%
3 - 4 Years	95%	5%
2 - 3 Years	65%	35%
1 - 2 Years	30%	70%
0 - 1 Year	0%	100%

3. Investment Management Arrangements

The following describes the mandates given to the fund manager within each asset class. The Funds highlighted in bold are those funds which are considered to be default arrangements by virtue of historic mapping exercises. For each of these funds the charges are below the charge cap of 0.75% per annum. The Trustee annually assess whether these and all other funds invested in by members represent value for money.

Asset Class	Fund Name	Benchmark	Objective
UK Equity	**L&G UK Equity Index Fund**	FTSE All Share Index	To track the benchmark gross of fees
Overseas Equity	**L&G World ex-UK Equity Index Fund**	FTSE All World - World ex UK Index	To track the benchmark gross of fees

Mixed	L&G Multi-Asset Index Fund	ABI Mixed Investment 40-85% Shares Sector	To provide long term investment growth through exposure to a diversified range of asset classes.
Mixed (Cont.)	L&G Retirement Income Multi- Asset Fund	Bank of England base rate +3.5%	To provide long-term investment growth up to and during retirement, and to facilitate the drawdown of retirement income.
	L&G Consensus Index Fund	ABI Mixed Investment 40-85% Shares Sector	To provide a combination of growth and income.
Bonds	**L&G Over 5 Year Index- Linked Gilt Fund**	FTSE Actuaries UK Index Linked Gilts Over 5 Years Index	To track the benchmark gross of fees
	L&G Over 15 Year Gilt Fund	FTSE Actuaries UK Conventional Gilts Over 15 Years Index	To track the benchmark gross of fees
Cash	**L&G Cash Fund**	7 Day LIBID	To maintain capital and to provide a return in line with money market rates.

4. Fee Structure for Advisers and Manager

4.1 Advisers

The Trustee's investment advisers are paid for advice received on the basis of the time spent by the adviser. For significant areas of advice (for example large projects, such as a review of the operation of lifestyling), the Trustee will endeavour to agree a project budget.

These arrangements recognise the bespoke nature of the advice given, and that no investment decisions have been delegated to the adviser.

4.2 DC Investment Manager

For passive mandates, or mandates where the manager is seeking to add incremental value in excess of the performance benchmark, the DC Investment Manager is remunerated as a set percentage of the assets under management. This is in keeping with market practice.

Summary of investment management fee arrangements (total of Fund Management Charge and Annual Management Charge):

Fund	Total Annual Management Charge* (% p.a.)
L&G UK Equity Index Fund	0.37%
L&G World ex-UK Equity Index Fund	0.39%
L&G Multi-Asset Fund	0.40%
L&G Retirement Income Multi-Asset Fund	0.57%
L&G Over 5 Year Index-Linked Gilt Fund	0.35%
L&G Over 15 Year Gilt Fund	0.35%
L&G Cash Fund	0.37%

*Total Annual Management Charge = Annual Management Charge (0.27%) + Fund Management Charge (Variable)

4.3 Payment of Annual Management Charge

The charges of the Defined Contribution Section of the Scheme (as outlined in section 4.2 above) are paid by the member.